

107TH CONGRESS
1ST SESSION

H. R. 1969

To amend the Internal Revenue Code of 1986 to provide an interest-free source of capital to cover the costs of installing residential solar energy equipment.

IN THE HOUSE OF REPRESENTATIVES

MAY 23, 2001

Mr. McDERMOTT introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide an interest-free source of capital to cover the costs of installing residential solar energy equipment.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Residential Solar En-
5 ergy Act of 2001”.

6 **SEC. 2. CREDIT TO HOLDERS OF RESIDENTIAL SOLAR EN-**
7 **ERGY BONDS.**

8 (a) IN GENERAL.—Subpart B of part IV of sub-
9 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 is amended by adding at the end the following new
 2 section:

3 **“SEC. 30B. CREDIT TO HOLDERS OF RESIDENTIAL SOLAR**
 4 **ENERGY BONDS.**

5 “(a) ALLOWANCE OF CREDIT.—In the case of a tax-
 6 payer who holds a Residential Solar Energy Bond on a
 7 credit allowance date of such bond which occurs during
 8 the taxable year, there shall be allowed as a credit against
 9 the tax imposed by this chapter for such taxable year an
 10 amount equal to the sum of the credits determined under
 11 subsection (b) with respect to credit allowance dates dur-
 12 ing such year on which the taxpayer holds such bond.

13 “(b) AMOUNT OF CREDIT.—

14 “(1) IN GENERAL.—The amount of the credit
 15 determined under this subsection with respect to any
 16 credit allowance date for a Residential Solar Energy
 17 Bond is 25 percent of the annual credit determined
 18 with respect to such bond.

19 “(2) ANNUAL CREDIT.—The annual credit de-
 20 termined with respect to any Residential Solar En-
 21 ergy Bond is the product of—

22 “(A) the applicable credit rate, multiplied
 23 by

24 “(B) the outstanding face amount of the
 25 bond.

1 “(3) APPLICABLE CREDIT RATE.—For purposes
2 of paragraph (1), the applicable credit rate with re-
3 spect to an issue is the rate equal to an average
4 market yield (as of the day before the date of
5 issuance of the issue) on outstanding long-term cor-
6 porate debt obligations (determined under regula-
7 tions prescribed by the Secretary).

8 “(4) SPECIAL RULE FOR ISSUANCE AND RE-
9 DEMPTION.—In the case of a bond which is issued
10 during the 3-month period ending on a credit allow-
11 ance date, the amount of the credit determined
12 under this subsection with respect to such credit al-
13 lowance date shall be a ratable portion of the credit
14 otherwise determined based on the portion of the 3-
15 month period during which the bond is outstanding.
16 A similar rule shall apply when the bond is re-
17 deemed.

18 “(c) RESIDENTIAL SOLAR ENERGY BOND.—For pur-
19 poses of this section—

20 “(1) IN GENERAL.—The term ‘Residential
21 Solar Energy Bond’ means any bond issued as part
22 of an issue if—

23 “(A) 95 percent or more of the proceeds of
24 such issue are to be used to make qualified
25 solar energy loans,

1 “(B) the bond is issued by a qualified util-
2 ity,

3 “(C) the issuer designates such bond for
4 purposes of this section, and

5 “(D) the term of each bond which is part
6 of such issue does not exceed 15 years.

7 “(2) QUALIFIED SOLAR ENERGY LOAN.—

8 “(A) IN GENERAL.—The term ‘qualified
9 solar energy loan’ means any loan without in-
10 terest to the owner of any qualified residential
11 property for the purchase and installation of
12 photovoltaic cells on such property but only if—

13 “(i) the excess of the electricity pro-
14 duced by such cells over the electricity con-
15 sumed at the residential property is trans-
16 mitted from such property for use by oth-
17 ers,

18 “(ii) the net electricity produced or
19 consumed at the residential property is me-
20 tered,

21 “(iii) the owner receives a credit
22 against future electricity consumption for
23 the excess described in clause (i),

24 “(iv) the principal amount of the loan
25 is payable in equal installments over 15

1 years (or, if shorter, the period specified by
2 the utility), and

3 “(v) the loan is made under a pro-
4 gram of the utility that—

5 “(I) specifies an approved list of
6 photovoltaic cell equipment and in-
7 stallers, and

8 “(II) contains other safeguards
9 to ensure that the loan is used for its
10 intended purpose.

11 “(B) QUALIFIED UTILITY.—The term
12 ‘qualified utility’ means any entity (including a
13 governmental unit) engaged in the sale of elec-
14 trical energy at retail in the United States

15 “(C) QUALIFIED RESIDENTIAL PROP-
16 erty.—The term ‘qualified residential prop-
17 erty’ means any single-family or multi-family
18 residence.

19 “(d) LIMITATION ON AMOUNT OF BONDS DES-
20 IGNATED.—

21 “(1) IN GENERAL.—The maximum aggregate
22 face amount of bonds which may be designated
23 under subsection (c)(1) by any qualified utility shall
24 not exceed the limitation amount allocated to such
25 utility under paragraph (3).

1 “(2) NATIONAL LIMITATION ON AMOUNT OF
2 BONDS DESIGNATED.—There is a national Residen-
3 tial Solar Energy Bond limitation of
4 \$24,000,000,000.

5 “(3) ALLOCATION OF LIMITATION AMONG UTIL-
6 ITIES.—

7 “(A) IN GENERAL.—The national Residen-
8 tial Solar Energy Bond limitation shall be allo-
9 cated by the Secretary of Energy during 2002,
10 2003, 2004, and 2005 to qualified utilities. In
11 making such allocations, such Secretary shall
12 give priorities to qualified utilities which provide
13 subsidies (other than through the use of such
14 Bonds) for the purchase and installation by res-
15 idential customers of photovoltaic cells on their
16 residences.

17 “(B) UNUSED ALLOCATIONS.—Any alloca-
18 tion made to a qualified utility which is not
19 used within 6 months after the date of the allo-
20 cation may be reallocated by the Secretary of
21 Energy.

22 “(e) LIMITATION BASED ON AMOUNT OF TAX.—

23 “(1) IN GENERAL.—The credit allowed under
24 subsection (a) for any taxable year shall not exceed
25 the excess of—

1 “(A) the sum of the regular tax liability
 2 (as defined in section 26(b)) plus the tax im-
 3 posed by section 55, over

4 “(B) the sum of the credits allowable
 5 under part IV of subchapter A (other than sub-
 6 part C thereof, relating to refundable credits).

7 “(2) CARRYOVER OF UNUSED CREDIT.—If the
 8 credit allowable under subsection (a) exceeds the
 9 limitation imposed by paragraph (1) for such taxable
 10 year, such excess shall be carried to the succeeding
 11 taxable year and added to the credit allowable under
 12 subsection (a) for such taxable year.

13 “(f) OTHER DEFINITIONS.—For purposes of this
 14 section—

15 “(1) CREDIT ALLOWANCE DATE.—The term
 16 ‘credit allowance date’ means—

17 “(A) March 15,

18 “(B) June 15,

19 “(C) September 15, and

20 “(D) December 15.

21 Such term includes the last day on which the bond
 22 is outstanding.

23 “(2) BOND.—The term ‘bond’ includes any ob-
 24 ligation.

1 “(g) CREDIT INCLUDED IN GROSS INCOME.—Gross
 2 income includes the amount of the credit allowed to the
 3 taxpayer under this section (determined without regard to
 4 subsection (e)) and the amount so included shall be treat-
 5 ed as interest income.

6 “(h) SPECIAL RULES RELATING TO ARBITRAGE.—

7 “(1) IN GENERAL.—A bond shall not be treated
 8 as failing to meet the requirements of subsection
 9 (c)(1) solely by reason of the fact that the proceeds
 10 of the issue of which such bond is a part are in-
 11 vested for a reasonable temporary period until such
 12 proceeds are used in making qualified solar energy
 13 loans.

14 “(2) EARNINGS ON PROCEEDS.—Any earnings
 15 on proceeds during the temporary period shall be
 16 treated as proceeds of the issue for purposes of ap-
 17 plying subsection (c)(1) and paragraph (1) of this
 18 subsection.

19 “(3) TREATMENT OF LOAN REPAYMENTS.—
 20 Principal repayments received during any calendar
 21 quarter shall not be treated as failing to meet the
 22 requirements of subsection (c)(1) if, before the end
 23 of the following calendar quarter, the amount of
 24 such repayments is used to make qualified solar en-
 25 ergy loans, to redeem residential solar energy bonds,

1 or to acquire zero interest State and local govern-
 2 ment series bonds. The term of a loan made from
 3 such repayments may extend beyond the last day
 4 that any bond issued as part of the issue financing
 5 the loan being repaid is outstanding; and, if so, the
 6 requirement that a loan be without interest shall not
 7 apply to the period after such last day.

8 “(i) OTHER SPECIAL RULES.—

9 “(1) BONDS HELD BY REGULATED INVEST-
 10 MENT COMPANIES.—If any Residential Solar Energy
 11 Bond is held by a regulated investment company,
 12 the credit determined under subsection (a) shall be
 13 allowed to shareholders of such company under pro-
 14 cedures prescribed by the Secretary.

15 “(2) CREDITS MAY BE STRIPPED.—Under regu-
 16 lations prescribed by the Secretary—

17 “(A) IN GENERAL.—There may be a sepa-
 18 ration (including at issuance) of the ownership
 19 of a Residential Solar Energy Bond and the en-
 20 titlement to the credit under this section with
 21 respect to such bond. In case of any such sepa-
 22 ration, the credit under this section shall be al-
 23 lowed to the person who on the credit allowance
 24 date holds the instrument evidencing the enti-

1 tlement to the credit and not to the holder of
2 the bond.

3 “(B) CERTAIN RULES TO APPLY.—In the
4 case of a separation described in subparagraph
5 (A), the rules of section 1286 shall apply to the
6 Residential Solar Energy Bond as if it were a
7 stripped bond and to the credit under this sec-
8 tion as if it were a stripped coupon.

9 “(3) TREATMENT FOR ESTIMATED TAX PUR-
10 POSES.—Solely for purposes of sections 6654 and
11 6655, the credit allowed by this section to a tax-
12 payer by reason of holding a Residential Solar En-
13 ergy Bond on a credit allowance date shall be treat-
14 ed as if it were a payment of estimated tax made by
15 the taxpayer on such date.

16 “(4) CREDIT MAY BE TRANSFERRED.—Nothing
17 in any law or rule of law shall be construed to limit
18 the transferability of the credit allowed by this sec-
19 tion through sale and repurchase agreements.

20 “(5) REPORTING.—Issuers of Residential Solar
21 Energy Bonds shall submit reports similar to the re-
22 ports required under section 149(e).

23 “(j) RECAPTURE OF PORTION OF CREDIT WHERE
24 CESSATION OF QUALIFIED USE.—

1 “(1) IN GENERAL.—If any bond which when
2 issued purported to be a Residential Solar Energy
3 Bond ceases to meet the requirements of subsection
4 (c), the issuer shall pay to the United States (at the
5 time required by the Secretary) an amount equal to
6 the aggregate of the credits allowable under this sec-
7 tion (determined without regard to subsection (e))
8 for taxable years ending during the calendar year in
9 which such cessation occurs and the 2 preceding cal-
10 endar years.

11 “(2) FAILURE TO PAY.—If the issuer fails to
12 timely pay the amount required by paragraph (1)
13 with respect to any issue, the tax imposed by this
14 chapter on each holder of any bond which is part of
15 such issue shall be increased (for the taxable year of
16 the holder in which such cessation occurs) by the ag-
17 gregate decrease in the credits allowed under this
18 section to such holder for taxable years beginning in
19 such 3 calendar years which would have resulted
20 solely from denying any credit under this section
21 with respect to such issue for such taxable years.

22 “(3) SPECIAL RULES.—

23 “(A) TAX BENEFIT RULE.—The tax for
24 the taxable year shall be increased under para-
25 graph (2) only with respect to credits allowed

1 by reason of this section which were used to re-
 2 duce tax liability. In the case of credits not so
 3 used to reduce tax liability, the carryforwards
 4 and carrybacks under section 39 shall be appro-
 5 priately adjusted.

6 “(B) NO CREDITS AGAINST TAX.—Any in-
 7 crease in tax under paragraph (2) shall not be
 8 treated as a tax imposed by this chapter for
 9 purposes of determining—

10 “(i) the amount of any credit allow-
 11 able under this part, or

12 “(ii) the amount of the tax imposed
 13 by section 55.”

14 (b) REPORTING.—Subsection (d) of section 6049 of
 15 such Code (relating to returns regarding payments of in-
 16 terest) is amended by adding at the end the following new
 17 paragraph:

18 “(8) REPORTING OF CREDIT ON RESIDENTIAL
 19 SOLAR ENERGY BONDS.—

20 “(A) IN GENERAL.—For purposes of sub-
 21 section (a), the term ‘interest’ includes amounts
 22 includible in gross income under section 30B(g)
 23 and such amounts shall be treated as paid on
 24 the credit allowance date (as defined in section
 25 30B(f)(1)).

1 “(B) REPORTING TO CORPORATIONS,
 2 ETC.—Except as otherwise provided in regula-
 3 tions, in the case of any interest described in
 4 subparagraph (A) of this paragraph, subsection
 5 (b)(4) of this section shall be applied without
 6 regard to subparagraphs (A), (H), (I), (J), (K),
 7 and (L)(i).

8 “(C) REGULATORY AUTHORITY.—The Sec-
 9 retary may prescribe such regulations as are
 10 necessary or appropriate to carry out the pur-
 11 poses of this paragraph, including regulations
 12 which require more frequent or more detailed
 13 reporting.”

14 (c) CONFORMING AMENDMENT.—The table of sec-
 15 tions for subpart B of part IV of subchapter A of chapter
 16 1 of such Code is amended by adding at the end the fol-
 17 lowing new item:

 “Sec. 30B. Credit to holders of Residential Solar Energy Bonds.”

18 (d) EFFECTIVE DATE.—The amendments made by
 19 this section shall apply to obligations issued after Decem-
 20 ber 31, 2001.

21 (e) GUIDELINES FOR APPLICATIONS.—Not later than
 22 January 1, 2002, guidelines specifying the criteria to be
 23 used in approving applications under section 30B(d)(3) of
 24 the Internal Revenue Code of 1986 (as added by this Act)

1 shall be developed and published by the Secretary of En-
2 ergy in the Federal Register.

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